

rate semester the components for the operating and resident care costs shall be the base costs established for the April 1, 1998 rate semester.

7. Compare the operating and resident care cost per diems resulting from Step 6 with the respective per diems from Step 4 for each reimbursement class.
 - (a) If the operating per diem for either reimbursement class from Step 4 is less than the respective operating per diem from Step 6, then establish the new operating base per diem as the per diem from Step 4 plus an incentive of one-half of the difference between the two per diems, not to exceed 10 percent of the Step 4 per diem. The operating incentive shall be prorated for the percentage of days that the provider is out of compliance with any Condition of Participation during the rate semester in effect one year prior to the rate semester being set. For example, a provider not out of compliance with a Condition of Participation shall receive 100% of the incentive amount. A provider that is out of compliance for 30 days of a 183 day rate semester shall receive 83.61 % of the incentive amount based on 153 days divided by 183 days. If the operating per diem from Step 4 is greater than the Step 6 per diem, then establish the new operating base per diem as the Step 4 per diem, not to exceed the base cost per diem from Step 6 inflated by the target rate factor.
 - (b) If the resident care per diem for either reimbursement class from Step 4 is less than the respective resident care per diem from Step 6 then establish the new resident care base per diem as the per diem from Step 4 plus an incentive calculated as 50 percent of the difference between the Step 4 per diem and the Step 6 per diem, not to exceed 3 percent of the Step 4 per diem. The resident care

incentive shall be prorated for the percentage of days that the provider is out of compliance with any Condition of Participation during the rate semester in effect one year prior to the rate semester being set. For example, a provider not out of compliance with a Condition of Participation shall receive 100% of the incentive amount. A provider that is out of compliance for 30 days of a 183 day rate semester shall receive 83.61 % of the incentive amount based on 153 days divided by 183 days. If the resident care per diem from Step 4 is greater than the Step 6 per diem, then establish the new resident care base per diem as the Step 4 per diem, not to exceed the base cost per diem from Step 6 inflated by the target rate factor.

- c) If different operating cost rate components are produced in this rate setting methodology, the total operating rate cost component incentive that is determined shall be allocated to both classes by weighting with patient days of each class. This shall equalize the operating rate cost components and allow for more meaningful trend comparison between cost reporting periods.
- 8. The new base per diems for property and return on equity or use allowance shall be the per diems established in step 4 above.
 - 9. Using the appropriate current base per diem for resident care and operating costs from Step 7 above, calculate the prospective operating and resident care per diems for the new rate semester by multiplying each of the base per diems by the fraction:

Simple average of the Florida ICF/MR-DD monthly cost inflation indices for the prospective rate semester divided by the simple average of the Florida ICF/MR-DD monthly cost inflation indices for the cost report period used to calculate current base per diems. For rates effective

October 1, 1998, the prospective rate semester used in calculating the above fraction shall be the period October 1, 1998 through March 31, 1999.

10. Establish the total prospective per diem for each reimbursement class as the sum of the appropriate operating and resident care per diems resulting from Step 9 plus the current approved per diems for property and return on equity or use allowance, if applicable, from Step 8.

11. Effective October 1, 2004 through June 30, 2005, the proportional reduction shall be calculated as follows:

- a. Set the reimbursement rates as described in Section V. of this plan.
- b. Apply the same percentage reduction to all rates as determined in (a) above until estimated payments (based upon annualized Medicaid days as estimated per the cost reports used in setting the rates in (a) above) are reduced by an estimated \$4,788,000 through June 30, 2005.

B. Base year ceilings for new providers in facilities with six beds or less:

1. Property costs per diems shall not be in excess of the ceiling limitations established in Section III. of this plan.
2. Operating costs per diems shall not be in excess of the 90th percentile of per resident day costs of all currently participating ICF/MR-DD providers that have prospective rates. This ceiling shall be recalculated for every rate semester beginning April 1 and October 1 of each year.
3. Resident care costs per diems shall not exceed the highest per resident day cost for the respective reimbursement class of any other currently participating provider having a prospective rate. The ceiling shall be

recalculated for every rate semester beginning April 1 and October 1 of each year.

4. Total costs per diem ceilings (including return on equity):
- Shall not exceed the total costs per diem ceilings for interim cost per diems in section IV.H.2.D. multiplied times 1.04. When a provider is limited to the total ceiling in the base year, the total ceiling shall be allocated to each component to cost settle interim rates and to calculate prospective rates based on the percentage that each component's actual allowable cost is to the total actual allowable cost for all components, including return on equity, in the base year.

Example:	Interim Cost	Percent to total	Ceiling
Operating	58.15	23.26	55.82
Resident Care	158.89	63.56	152.54
Property	25.70	10.28	24.67
ROE	7.26	2.9	6.97
Total	250	100%	240

VI. Payment Assurance

The state shall pay each provider for services provided in accordance with the requirements of the Florida Title XIX state plan and applicable state or federal rules and regulations. The payment amount shall be determined for each provider according to the standards and methods set forth in this Florida Title XIX ICF/MR-DD Reimbursement Plan for Facilities Not Publicly Owned and Not Publicly Operated (Formerly Known as ICF-MR/DD Facilities).

VII. Provider Participation

This plan is designed to assure adequate participation of ICF/MR-DD providers in the Medicaid program, the availability of high-quality services for recipients, and for services which are comparable to those available to the general public.

VIII. Payment in Full

Payments made to any provider participating in the Florida Medicaid program who knowingly and willfully charges, for any service provided to the resident under the state plan, money or other consideration in excess of the rates established by the state plan, or charges, solicits, accepts, or receives, in addition to any amount otherwise required to be paid under the State plan approved under this title, any gift, money, donation or other consideration, other than a charitable, religious or philanthropic contribution from an organization or from a person unrelated to the resident: as a condition of admitting a resident to an ICF/MR-DD facility; or as a requirement for the resident's continued stay in such a facility, when the cost of the services provided therein is paid for, in whole or in part, under the state plan, shall be construed to be supplementation of the state's payment for services. Payments made as a condition of admitting a resident or as a requirement for continued stay in a facility shall be deemed to be payments to meet the cost of care of the Medicaid resident and shall be deemed to be out of compliance with 42 CFR 447.15 .

IX. Definitions

Acceptable Cost Report: A completed, legible cost report that contains all relevant schedules, worksheets and supporting documents in accordance with cost reporting instructions.

AHCA: Agency for Health Care Administration, also known as the agency.

CMS PUB.15-1: also known as the Provider Reimbursement Manual, published by the Department of Health and Human Services, Centers for Medicare and Medicaid Services.

DCF: Department of Children and Family Services, also known as the Department.

ICF/MR-DD Operating Costs: Those costs not directly related to resident care or property costs. Operating costs include administrative, plant operation, laundry and housekeeping costs. Return on equity or use allowance costs are not included in operating costs.

ICF/MR-DD Resident Care Costs: Those costs directly attributed to nursing services, dietary costs, and other costs directly related to resident care such as activity costs, social services, and all medically-ordered therapies.

ICF/MR-DD Property Costs: Those costs related to the ownership or leasing of an ICF/MR-DD. Such costs may include property taxes, insurance, interest and depreciation, or rent.

ICF/MR-DD Return on Equity or Use Allowance Costs: See Sections III.H. and III.I. of this plan.

Title XVIII: Health Insurance for the Aged, Blind or Disabled (Medicare) as provided for in the Social Security Act (42 U.S.C. 1395-1395pp).

Title XIX: Grants to States for Medical Assistance Programs (Medicaid) as provided for in the Social Security Act (42 U.S.C. 1396-1396i)

Medicaid Interim Reimbursement Rate: A reimbursement rate or a portion of an overall reimbursement rate that is calculated from budgeted cost data.

APPENDIX A

Provider Number

FY: 09/30/84

Provider Name

Audit Status Unaudited

Address

		COL A Resid./ Inst.	COL B Non-amb./ Medical	COL C
	TOTAL			
A.	Alloc of Exp (Excl B&C)			
1.	Resident Days	02461	8325	10786
2.	OPER. EXPENSE COMP			
a.	Administration	-	-	120482
b.	Plant Operation	-	-	45060
c.	Laundry	-	-	15265
d.	Housekeeping	-	-	29090
e.	Oper. Exp. Comp and Per Diem	19.460	19.460	209897
3.	Resident Care Expense			
a.	Dietary -	-	74861	
b.	Other -	-	34188	
c.	Nursing	-	-	86018
d.	Res. Care Exp. and Per Diem	18.0852	18.0852	19.5067
4.	PROP. EXP. COMP. AND PER DIEM	8.605	8.605	92812
5.	ROE/UA COMP & PER DIEM	6.604	6.604	71236
B.	DIRECT CARE EXPENSE			
1.	Staffing	.5	1.	-
2.	Total Staffing Required	1230.5	8325	95555
3.	Staffing Percent	12.877%	87.123	100%
4.	Alloc. of Direct Care	39263.97	26542.03	304906
5.	Dir. Care Exp. Per Diem	15.945	31.9090	
C.	ADDITIONAL SERVICES EXPENSE			
1.	Medicaid Patient Days	2461	8275	10736
2.	Add. Ser. (Sch.AM-6)	36780	69380	106160
3.	Add. Ser. Exp. Per Diem	14.951	8.3839	
D.	MEDICAID PER DIEM COST			
1.	Operating Component	19.460	19.460	209897
2.	Resident Care Component	48.985	58.378	606133
3.	Property Cost Component	8.605	8.605	92812
	Subtotal (Schedule BM)	-	-	-
4.	ROE/USE ALLOW Comp.	6.604	6.604	71236
5.	TOTAL PER DIEM COST	83.654	93.047	980078

APPENDIX A-1

Provider Number

FY: 09/30/84

Provider Name

Audit Status Unaudited

Address

		COL A Resid./ Inst.	COL B Non-amb./ Medical	COL C
	TOTAL			
A.	Alloc of Exp (Excl B&C)			
1.	Resident Days	2461	8325	10786
2.	OPER. EXPENSE COMP			
a.	Administration	-	-	120482
b.	Plant Operation	-	-	45060
c.	Laundry	-	-	15265
d.	Housekeeping	-	-	29090
e.	Oper. Exp. Comp and Per Diem	19.460	19.460	209897
3.	Resident Care Expense			
a.	Dietary -	-	74861	
b.	Other -	-		34188
c.	Nursing	-	-	86018
d.	Res. Care Exp. and Per Diem	18.0852	18.0852	195067
4.	PROP. EXP. COMP. AND PER DIEM	8.605	8.605	92812
5.	ROE/UA COMP & PER DIEM	6.604	6.604	71236
B.	DIRECT CARE EXPENSE			
1.	Staffing	.75	1.	-
2.	Total Staffing Required	1845.75	8325	10,171
3.	Staffing Percent	18.148%	81.852%	100%
4.	Alloc. of Direct Care	55,334.34	249,571.66	304906
5.	Dir. Care Exp. Per Diem	22.484	29.979	
C.	ADDITIONAL SERVICES EXPENSE			
1.	Medicaid Patient Days	2461	8275	10736
2.	Add. Ser. (Sch.AM-6)	36780	69380	106160
3.	Add. Ser. Exp. Per Diem	14.951	8.3839	
D.	MEDICAID PER DIEM COST			
1.	Operating Component	19.460	19.460	209897
2.	Resident Care Component	55.520	56.448	606133
3.	Property Cost Component	8.605	8.605	92812
	Subtotal (Schedule BM)	-	-	-
4.	ROE/USE ALLOW Comp.	6.604	6.604	71236
5.	TOTAL PER DIEM COST	90.189	91.117	980078

APPENDIX B

CALCULATION OF THE FLORIDA ICF/MR-DD COST INFLATION INDEX

1. Weights.

Percentage weights for cost components shall be based on cost reports filed for fiscal years ending in 1983. These percentage weights are:

Salaries and Benefits	65.66%
Dietary	4.94%
All Other	29.40%
	100.00%

2. Inflation index for each component

An inflation index for each of these components is developed from the Data Resources, Inc. (DRI) Skilled Nursing Facility Market Basket of Routine Services Costs inflation indices as follows:

COMPONENT	DRI INDEX
Salaries and Benefits with Employee Benefits	Wages and Salaries, combined
Dietary	Food
All Others with other expenses	Fuel and Utilities, combined

The DRI indices that are combined are merged by summing the products of each index times the ratio of the respective DRI budget share to the total share represented by the combined indices.

Example: Calculation of the Salaries and Benefits combined index for the third quarter of 1984 using Health Care Costs, Third Quarter 1983 Series, p. 15:

DRI Wages and Salaries index =1.043; Budget Share =.602

DRI Employee Benefits index =1.073; Budget share =.084

Weighted Combination (Salaries and Benefits) =
 $(1.043 \times (.602 / (.602 + .084))) + (1.073 \times (.084 / (.602 + .084))) = 1.047$

3. Quarterly and monthly indices.

A weighted quarterly index is then constructed by summing the products of the weights and quarterly component indices. This quarterly composite index is used to obtain monthly indices called the Florida ICF/MR-DD Cost Inflation Index by averaging pairs of quarterly indices and interpolating between these averages as follows:

Quarter Midpoint Quarter	Index	Average Index	Corresponding Month
1984:1	1.029		
		1.032	March 31
184:2	1.035		
		1.042	June 30
1984:3	1.048		
		1.054	September 30
1984:4	1.059		

$$\begin{aligned}\text{April 30 Index} &= (\text{June 30 Index} / \text{March 31 Index})^{1/3} \times (\text{March 31 Index}) \\ &= (1.042 / 1.032)^{1/3} \times 1.032 \\ &= 1.035\end{aligned}$$

$$\begin{aligned}\text{May 30 Index} &= (\text{June 30 Index} / \text{March 31 Index})^{2/3} \times (\text{March 31 Index}) \\ &= (1.042 / 1.032)^{2/3} \times 1.032 \\ &= 1.039\end{aligned}$$

All other monthly indices can be calculated in a similar fashion.

4. Inflation Factors

The inflation factors used to set both target rates of inflation and prospective payment rates utilize 13 indices in order to recognize full inflation for a 12-month period. This is necessary because each index represents the relative level of costs at the end of the month, so that a complete 12-month inflation trend must start with the index as of the last day of the month prior to the 12-month period.

Example: Calculation of target rate of inflation factor for provider with a June 30 fiscal year end.

1984 Target factor = $\frac{\text{average of inflation indices from June 1983 through June 1984}}{\text{average of inflation indices from June 1982 through June 1983}}$

$$\begin{aligned} & \frac{(.994 + .999 + 1.004 + 1.009 + 1.014 + 1.018 + 1.023 + 1.026 + 1.029 + 1.032 + 1.035 + 1.039 + 1.042)/13}{(.950 + .954 + .958 + .962 + .966 + .971 + .975 + .979 + .982 + .986 + .989 + .992 + .994)/13} \\ & = 1.020 \\ & \quad .974 \\ & = 1.047 \end{aligned}$$

In the example above, the indices for June 30, 1982, .994, and June 30, 1983, .950 are taken to represent the relative level of costs on July 1, the beginning of the fiscal year, and the end of the fiscal year, respectively. Hence, in order to measure the change in the relative level of costs for a fiscal year ending June 30, the 13 indices are used to capture a complete 12-month period.

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